

7 JUN 1948

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DOS review completed

GENERAL

1. UK willing to furnish naval vessels to Palestine Mediator--
US Ambassador Douglas in London has been informed by Foreign Secretary Bevin that UN Mediator Bernadotte is agreeable to an Egyptian proposal to use the British Navy and Air Force in securing observance of the Palestine truce terms. Douglas learned from a high Foreign Office official that the Foreign Office intends, following the receipt of a formal request from Bernadotte, to recommend to the Cabinet that British aircraft and vessels be used solely for observation and not for enforcement.

2. Australian views on Korean elections--The Department of State has informed the US Political Adviser in Seoul of the following views expressed by an official of the Australian Embassy in Washington: (a) Australia is "far from satisfied" with the handling of the Korean elections; (b) there is "considerable evidence" of police pressure in connection with the elections; (c) at least a minority of the UN Commission will take the position that the elections were only provisional and not national in scope.

(CIA Comment: There are indications that the Canadian and Syrian representatives on the 7-member commission may share Australia's views. Actually, the South Koreans appear to have conducted the elections with a minimum of police intimidation. Because of the reluctance some members of the commission feel toward associating the prestige of the UN with the precarious existence of the new South Korean regime, a minority report along the above lines might be a diplomatic maneuver designed to elicit a US guarantee of the regime's future security.)

3. Spaak says continued firm policy toward USSR necessary--
Belgian Premier Spaak has expressed to US Ambassador Kirk his satisfaction with the apparent results of current US policy toward the USSR. Spaak feels that a firm policy must be

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Document No. 056

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Class. CHANGED TO: TS S C

Auth: DDA REG. 77/1/63

Date: 14 MAR 1978 By: TOP SECRET
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continued by the US and the five countries of the Brussels Pact despite obvious maneuvers of the USSR "to play down the seriousness of the situation." Spaak expressed the hope that the US will not slow down its rearmament plans but will continue to reinforce its announced policies with evidence of the necessary power. Spaak feels that although Molotov is at present retreating in the face of western steadfastness, he would quickly resume aggressive tactics if the western powers should display any softness.

EUROPE

4. FRANCE: Next ten days believed critical for Government -- US Ambassador Caffery reports the view of qualified observers in Paris that the next ten days will be the most crucial the Schuman Government has yet faced, in view of the critical character of the German problem and the Catholic school issue. Caffery says that Bidault is somewhat more optimistic concerning the prospects of Socialist action on the German question but is very apprehensive over the Gaullist reaction. Caffery says that De Gaulle plans to make a strong statement against the Government's German policy about the middle of this week.

(CIA Comment: CIA believes that, although De Gaulle will attack Bidault's policy on Germany in the hope of improving the electoral position of the Gaullists for the fall elections, De Gaulle will not at present make an all-out effort to cause the fall of the Schuman Government.)

5. SOVIET UNION: Note concerning Embassy housing suggested -- US Ambassador Smith proposes that the US submit a note regarding Embassy housing and customs difficulties to the USSR. Smith suggests that the note request that the USSR reduce its staff in the US to conform to US representation in the Soviet Union. Smith indicates the imperative need for a satisfactory solution of the problems confronting Embassy Moscow but expresses his awareness of the possibilities of: (a) an unfavorable public reaction in the US; and (b) a retaliatory reduction of US representation in the Satellite states.

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6. **CZECHOSLOVAKIA:** Gottwald may succeed Benes--US Ambassador Steinhardt has been "reliably" informed that Premier Gottwald will succeed President Benes and that Antonin Zapotocky (powerful Chairman of the Central Trade Union Council) will replace Gottwald as premier.

(CIA Comment: Assignment of the two top positions to Communists would indicate that the Czechoslovak regime feels strong enough to dispense with non-party fellow travelers or "moderate" Communists. This feeling of strength would also be indicated by the action of the Communists in making the extreme radical Zapotocky premier and putting the more moderate Gottwald in a higher but less effective position.)

NEAR EAST -AFRICA

7. **PALESTINE:** Jews in Cyprus camps likely to attempt breakout--US Consul Porter in Nicosia (Cyprus) has been informed by the British military commander in Cyprus that 24,000 Jews in local detention camps are becoming "extremely agitated" and are likely to attempt a breakout. The British commander says that his troops will oppose such an attempted departure with force, pointing out that "the only British limitations on departure will be in accordance with UN decisions."

FAR EAST

8. **INDONESIA:** Netherlands assures no military action planned--The Department of State has informed the US delegation to the UN Good Offices Committee that the Netherlands Ambassador in Washington has assured the Department that his Government is determined to reach an agreement with the Republic of Indonesia and plans no military action. The Dutch Ambassador indicated that the Netherlands Government is prepared to compromise on the issues of Republican foreign representation now abroad and demobilization of the Republican Army, if the Dutch are convinced that the Republic is acting in good faith.

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